

## **Historic, Archive Document**

Do not assume content reflects current scientific knowledge, policies, or practices.



A2867  
F76Prc  
Cp. 3

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

APR 4 - 1963

CURRENT SERIAL RECORDS

# Prospects for Foreign Trade in

**COTTON**

Foreign Agricultural Service  
UNITED STATES DEPARTMENT OF AGRICULTURE  
March 1963

## CONTENTS

	<u>Page</u>
Summary and conclusions . . . . .	1
World situation . . . . .	2
Stocks . . . . .	2
Production . . . . .	4
Trade. . . . .	5
Consumption . . . . .	6
Price movements . . . . .	8
Factors affecting export outlook for U. S. cotton. . . . .	10
Foreign production. . . . .	10
Foreign consumption . . . . .	11
Interfiber competition. . . . .	14
International developments. . . . .	15
Developing markets abroad for U. S. cotton. . . . .	17
Expanding consumer demand for cotton products . . . . .	17
Activities in fashion . . . . .	20
Activities with manufacturers. . . . .	20
Activities to influence retailers . . . . .	20
Activities to influence consumers . . . . .	21
Direct promotion of U. S. cotton . . . . .	21
Programs for assisting exports . . . . .	22

# PROSPECTS FOR FOREIGN TRADE IN COTTON

## SUMMARY AND CONCLUSIONS

The world cotton situation in 1962-63 is featured by a continued high consumption at or near last year's record 48.0 million bales, a rise in production to a new record of 49.4 million bales, an expected 7 percent rise in trade from last year's low total of 15.3 million bales, and a probable increase in stocks of about 1.5 million bales over the August 1, 1962 estimate of 19.4 million. This is the first year since 1955-56 in which world production exceeded world consumption, with a resulting rise in world stocks.

The current favorable world price level, and heavy involvement of cotton growing in foreign economic development programs, are encouraging a continued uptrend in cotton production overseas. The steady rise in cotton textile demand abroad noted in recent years — but now proceeding at a slower rate — may have been temporarily overstepped by over-expansion of mill capacity and production of cotton goods, especially in Asia. This is indicated by increasing quantities of cotton textiles available for export, and the need for control of international textile trade as instituted through the Long-Term International Cotton Textile Agreement made effective October 1, 1962.

U.S. exports during the 10 years ending 1961-62 averaged 4.7 million bales, 33 percent of the world trade average of 14.3 million. The outlook for the next two or three years is for world trade to fluctuate within a narrow range of 16.0 to 17.0 million bales, slightly below the 17.4 million-bale record of 1959-60. This projection is based on expected world cotton production at or slightly above an increasing level of consumption. Expanding consumption, the related need for larger stocks, and the upsurge in foreign production, have increased the potential for world trade. On the other hand, all the increase in foreign consumption since 1960-61 has been in foreign Free World exporting countries, reducing export availability of their increased production.

Over the longer pull both problems and opportunities for cotton in general, and for U.S. cotton in particular, are apparent. On the demand side, cotton faces intense competition from man-made fibers. Yet, although mill operators and consumers have a wider choice of fibers today, it is recognized that for certain end uses cotton gives more satisfaction to the ultimate consumer, value considered, than other fibers. Cotton's inherent good characteristics are being further improved and, to an increasing extent, consumers are being informed as to what can be expected from it. These advantages, coupled with rising levels of living in most of the world and the rapid growth of total population, provide a basis for optimism.

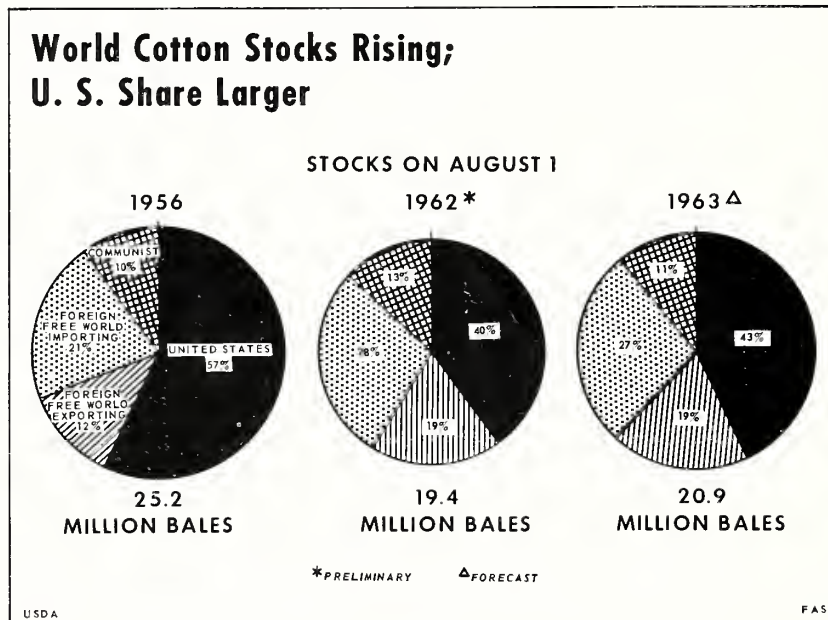
U.S. cotton will face keen competition, however, in supplying needs of the future. The man-made fiber industry is an aggressive adversary. Expansion of cotton production in foreign countries is taking place through efforts of governments and producers, even while the United States is working to bring supply and demand into better balance by limiting production.

Looking ahead, there appears to be no doubt that the United States can share in future growth of world cotton trade, but, to share equitably in the gains, this country must at least match its competitors' aggressiveness, particularly in efforts to keep the product competitively priced. Market promotion programs sponsored jointly by the U. S. Department of Agriculture and the Cotton Council International are stimulating developments favoring the expanded use of cotton in most of the major import markets.

## WORLD SITUATION

## Stocks

A major change in world cotton stocks appears in prospect this season as a result of the expected excess of world production over consumption. By the end of the 1962-63 season, world stocks may be up about 1.5 million bales from the 19.4 million level of last August 1. This constitutes a reversal of the steady downtrend in stocks from the record high of 25.2 million bales on August 1, 1956.



Prior to last season, much of this decline was in the surplus which had accumulated in the United States. However, in 1961-62, stocks in the U. S. increased from 7.2 to 7.8 million bales, while abroad inventories were trimmed from 12.9 million bales to only 11.6 million. In view of current supply and demand, U. S. stocks on August 1, 1963, are expected to rise to around 10.0 million bales. Therefore, most of the increase in world stocks this season will be in the United States.

On the other hand, following a sharp reduction last season, inventories in major consuming countries may be increased moderately this year from the relatively low beginning level of 5.5 million bales (only about 3.5 months' mill requirements). Stocks in many foreign exporting countries seem likely to stay close to the near-minimum



TABLE 1.--World cotton stocks, production, consumption, and exports, by area,  
1956-61 <sup>1/</sup>

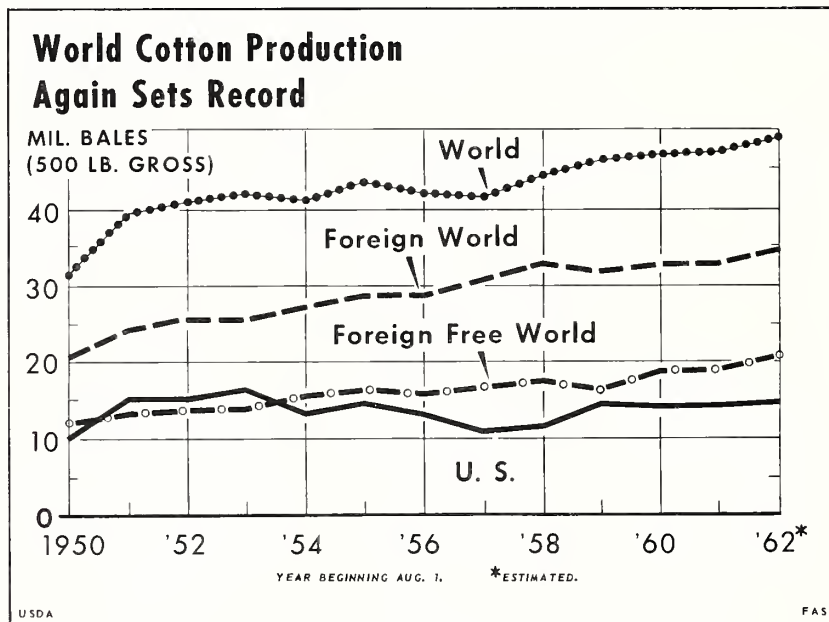
Item and area	1957	1958	1959	1960	1961 <sup>2/</sup>	1962 <sup>3/</sup>
	Million bales <sup>4/</sup>	Million bales <sup>4/</sup>	Million bales <sup>4/</sup>	Million bales <sup>4/</sup>	Million bales <sup>4/</sup>	Million bales <sup>4/</sup>
Beginning stocks:						
United States . . . . .	11.3	8.7	8.9	7.6	7.2	7.8
Foreign Free World:						
Exporting countries . . .	3.4	4.3	3.8	3.4	3.6	3.8
Importing countries <sup>5/</sup> . .	6.3	6.1	5.5	6.0	6.6	5.6
Communist countries . . . .	2.8	3.2	3.3	3.4	2.7	2.5
Foreign total . . . . .	12.5	13.6	12.6	12.8	12.9	11.9
World total . . . . .	23.8	22.3	21.5	20.4	20.1	19.7
Production:						
United States <sup>6/</sup> . . . . .	10.9	11.4	14.6	14.4	14.4	14.8
Foreign Free World . . . .	16.9	17.5	16.6	19.0	19.3	21.1
Communist countries . . . .	14.2	15.6	15.7	13.9	13.9	13.8
Foreign total . . . . .	31.1	33.1	32.3	32.9	33.2	34.9
World total . . . . .	42.0	44.5	46.9	47.3	47.6	49.7
Consumption: <sup>7/</sup>						
United States . . . . .	8.0	8.7	9.0	8.3	9.0	8.3
Foreign Free World:						
Exporting countries . . .	4.5	4.8	5.2	5.4	5.6	5.7
Importing countries . . .	15.9	15.5	16.9	17.9	17.9	17.9
Communist countries . . . .	15.1	16.5	17.0	16.2	15.7	15.8
Foreign total . . . . .	38.5	36.8	39.1	39.5	39.2	39.4
World total . . . . .	43.5	45.5	48.1	47.8	48.2	47.7
Exports:						
United States . . . . .	5.7	2.8	7.2	6.6	4.9	4.5
Foreign Free World <sup>8/</sup> . . .	6.9	8.7	8.1	8.4	8.9	10.5
Communist countries . . . .	1.5	2.0	2.1	2.0	1.5	1.4
Foreign total . . . . .	8.4	10.7	10.2	10.4	10.4	11.9
World total . . . . .	14.1	13.5	17.4	17.0	15.3	16.4
Exports, net, Free World to Communist . . . . .	1.6	1.1	1.6	1.6	1.5	1.8

<sup>1/</sup> Year beginning August 1. <sup>2/</sup> Preliminary. <sup>3/</sup> Estimated. <sup>4/</sup> 500 pounds gross weight, except for U.S. cotton, which is running bales. <sup>5/</sup> Includes cotton afloat, in transit, and in free ports. <sup>6/</sup> December crop estimate plus city crop and small allowance for adjusting balance where necessary. <sup>7/</sup> Includes cotton destroyed or unaccounted for. <sup>8/</sup> Includes small amounts re-exported.

levels of the season's beginning, while considerable carryovers in Brazil and Sudan, resulting from large crops last spring will probably be reduced. Short supplies are likely to hold stocks in Communist countries at a low level.

## Production

The longtime uptrend in world production of cotton seems to have gained new momentum in 1962-63. Following a temporary slow-down in the rate of increase in 1961-62, when adverse growing conditions reduced yields in Egypt, India, Uganda, and Nigeria, a world crop of around 49.4 million bales is in prospect this season. This sets a record for the fifth successive year, and represents an increase of 2.1 million bales above the 1961-62 crop and 5.6 million above the 1955-59 average of 43.8 million bales.



This season's world cotton acreage, placed at 83.4 million, though not a record, is once more larger, for the fourth straight year. Good returns from large crops harvested last season stimulated increased plantings in much of Central America, South America, and the Near East, although significant acreage declines are reported for Egypt and Uganda. Added to the overall acreage increase is a further rise in world average yield per acre, now estimated at around 285 pounds of lint. This is 10 pounds above last season, and 26 pounds above the 1955-59 average.

A U.S. crop of slightly over 14.7 million bales was estimated in December; this, in addition to rebaled samples and reclaimed cotton, places total production near 14.8 million bales, compared with 14.4 million in 1961-62. Though planted acreage of 16.3 million is about 2 percent below 1961, abandonment is smaller so that harvested acreage of 15.5 million is down less than 1 percent. The national average lint yield of 455 pounds per harvested acre is up 17 pounds from 1961.

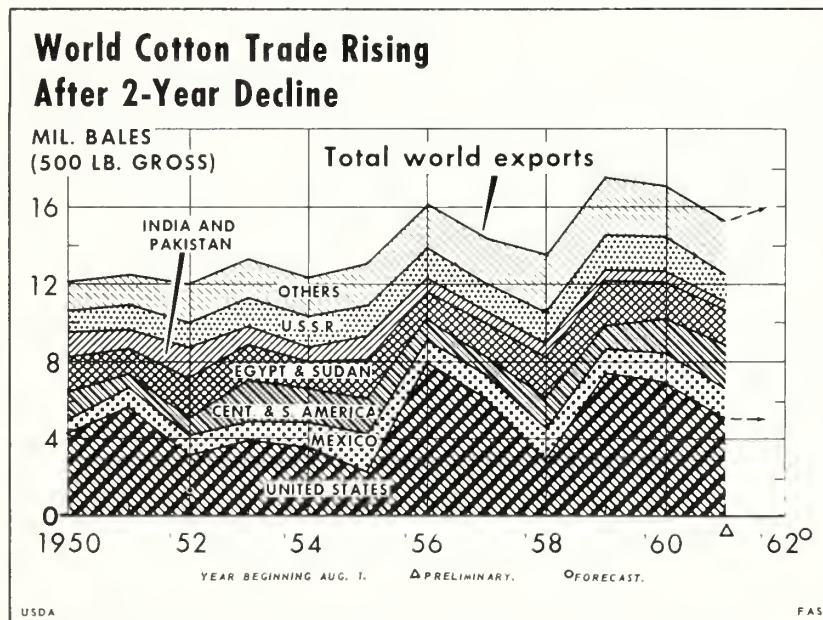


Total foreign production for 1962-63 is estimated at 34.6 million bales, up 1.7 million bales from last season, and 3.7 million above the 1955-59 average. Of the increase from last season, a total of 1.5 million bales is anticipated in the foreign Free World, where record acreage and yields are expected to raise production to an alltime high of 20.6 million bales. In Communist countries, aggregate production is estimated at 14.0 million bales, up 0.2 million from last season because of more normal growing conditions in Mainland China. Elsewhere, the largest prospective increases abroad are in Egypt, India, Brazil, Syria, Uganda, and the Central American countries.

Extra-long staple cotton production in the Free World this season is estimated at close to 2.1 million bales, up 0.3 million bales from 1961-62. Chief increase is in Egypt because of higher yields, while Sudan's crop may be below last season's record, assuming a return to more normal yields from last year's high level. Acreage and production of American-Egyptian cotton in the United States has increased, because of an intensive promotional campaign by producers under which domestic use has risen sharply. Production of Asiatic-type short-staple cotton may be up slightly in India and Pakistan. However, upland types account for over 1.0 million bales of the 1.5 million-bale increase in foreign Free World production this season.

## Trade

Total volume of cotton moving in international trade is rising in 1962-63, following a 2-year decline. World exports are expected to be around 16.4 million bales, about 7 percent above the 15.3 million bales of last season, when stocks in importing countries were reduced sharply. Although 1962-63 world trade is not likely to reach the 1959-60 record of 17.4 million bales it may be 10 percent above the 1955-59 average.



U. S. exports, estimated in February at 4.5 million bales, would be 400,000 bales less than the 4.9 million exported in 1961-62, and nearly 1 million smaller than the 5.4

million annual average for the past 5 years. Below-average exports in 1962-63 are indicated by smaller shipments during the first half of the season, smaller registrations under the payment-in-kind program, and record foreign production. On the other hand, a bolstering effect is suggested by expected high consumption in the foreign Free World, large volumes financed under special U. S. government programs, and the improving relationship of U. S. cotton prices to those for other growths on world markets. At 4.5 million bales, U. S. exports would comprise about 27 percent of total world trade, compared with 32 percent last season and 35 percent for the 5-year average ending 1961-62.

Some rebuilding of inventories in importing countries would be in order in 1962-63 after a reduction of 1.1 million bales, or 17 percent, last season to 5.5 million on August 1, 1962. This was near-minimum for practical mill operations. The relatively low stocks may be increased moderately in Japan and in a number of Western European importing countries. Although no major stock buildup abroad appears likely, neither is trade faced with the prospects of a substantial stock cut such as occurred last year.

On the supply side, U. S. cotton is faced with strong competition this season from large foreign supplies at highly competitive prices. The continued upsurge of foreign Free World production to a new record high in 1962-63 has increased supplies available for export about 1.25 million bales above 1961-62. Crops, and exportable supplies, are larger this season than last in Egypt, Brazil, Syria, Uganda, Colombia, Mexico, and Central American countries. However, export marketing of Northern Hemisphere crops was well advanced by late fall, and there does not appear to be any other overall backlog of surplus supplies. In fact, foreign Free World countries are likely to export a record 10.0 million bales in 1962-63, 12 percent above last year's high of 8.9 million. In Communist countries supplies are a critical factor if consumption is to be maintained, and net exports from the Free World to these countries are expected to increase to a record of around 1.7 million bales, from 1.5 million last season.

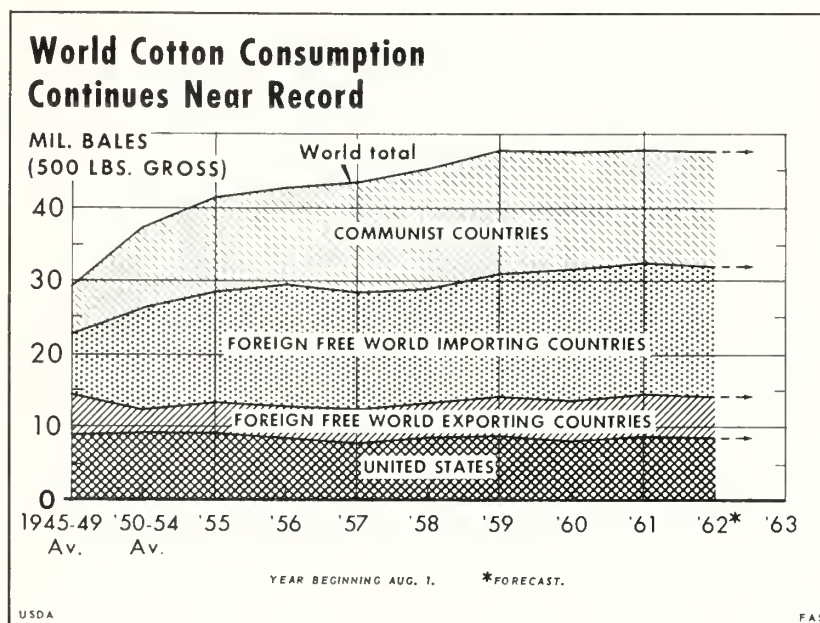
Many qualities of foreign growths were priced below U. S. cotton during a part of 1962. However, by October and November the competitive price position of U. S. cotton had improved considerably. Under the circumstances, the volume of U. S. and world trade in the second half of the current season will probably be influenced largely by supply and demand prospects for the coming season.

## Consumption

Following a striking increase for almost 15 years, subsequent to World War II, world cotton consumption seems to have remained on a plateau during the past 3 years, holding at a record high of about 48.0 million bales from 1959-60 through 1961-62. It is currently expected to remain near that figure in 1962-63.

Stiff competition that continues between cotton and man-made fibers is an important factor in this leveling-off period through which world cotton consumption is passing. Although cotton still comprises the greatest percentage, by far, of the world's textile fiber industry, its consumption has not quite kept pace with world consumption of all fibers. In the early 1950's, cotton comprised around 72 percent of the total cotton, wool, and man-made fibers consumed in the world, but it declined to 69 percent by 1960, and has continued to lose ground, relatively, since that time. Among cotton's competitors, rayon's share of total man-made fiber production is declining, while non-cellulosics are forging ahead.

In the 1962-63 season, cotton consumption is expected to resume its uptrend in most foreign Free World exporting countries, and edge slightly upward in Communist countries. On the other hand, usage will probably decline in the United States, and may ease in major importing countries, as well. This situation is somewhat in contrast to last season, when consumption rose in the United States and foreign Free World exporting countries, held firm in importing countries, but dropped sharply in Communist countries, compared with a year earlier.



However, some factors favor increasing use of cotton around the world. As a result of growing populations and rising scales of living, foreign Free World exporting countries are likely to step up consumption again this season. Also, some countries are expanding textile industries to provide additional jobs for local people, assure markets for larger cotton crops, and gain additional foreign exchange. Consumption in Brazil is continuing upward again in 1962-63, despite sharply rising costs and considerable price and political instability. Colombia's textile industry is absorbing more cotton, as mill capacity and raw cotton production both increase. Use in Pakistan reflects strong domestic demand and the government bonus on yarn exports, while Egyptian consumption continues its long-term uptrend. Greece and Iran expect record offtake, reflecting rising domestic requirements and increased emphasis on textile exports. On the other hand, in some major cotton growing countries demand has declined. Mexico's consumption picture is clouded by labor difficulties, slow retail sales, and relatively high inventories; Turkey faces large textile supplies and falling export sales; and Argentina's consumption is falling because of dull retail textile sales, rising inventories, and inadequate credit.

Mill use is expected to vary from country to country. In Japan consumption was lower in the early part of the season, but some upturn in mill activity is expected later in the season as a result of partial liquidation of excessive textile stocks and moderation in Government curtailment of spinning operations.



Consumption in India this season could equal the record 4.9 million bales used in 1961-62, with rising domestic use offsetting intensified competition in textile export markets. Activity in Hong Kong mills was erratic in recent months as a result of some uncertainty and adjustments regarding export sales. Consumption in Taiwan is rising in response to rapidly increasing population, while, in the Philippines, efforts are being made to gain a larger share of the home market. Indonesia and Thailand are also trying to meet more of their own needs through expanding textile facilities.

Countries which export significant amounts of cotton textiles to the EEC face problems in maintaining present levels, as internal tariffs on cotton textile trade between member countries are being reduced to zero. This places non-member suppliers at a competitive disadvantage. Non-tariff barriers, also, exist for some countries desiring to sell cotton textiles to the European Economic Community (EEC). The Long-Term Cotton Textile Agreement contains provisions, however, for expanding access to certain European markets for cotton textiles that had been subject to import restrictions. Demand for cotton textiles fell last season in many European countries as a result of unusually cool spring and summer weather.

Varying trends in cotton use are manifested in western Europe. Cotton consumption in West Germany is threatened by inroads of man-made fibers, rising textile inventories and imports, and falling textile exports; but consumer purchasing power is rising and population is increasing. Fabric production, stocks, and new orders in France have held firm recently, in contrast to smaller yarn output. In the United Kingdom, imports of cotton textiles dropped substantially, the first 6 months of 1962, but are still well over twice as large as textile exports. Textile activity this season is not likely to improve over 1961-62, when it plunged to the lowest level in this century.

Domestic demand in Italy is strong and textile exports high, especially to other Common Market countries, so that near-record quantities of cotton may be used again this season. Mill consumption in Spain may ease in view of stiff competition in textile export markets. A number of other European countries, including Belgium, Denmark, and the Netherlands, are looking forward to a continuation of last season's relatively high use because of firm domestic and export demand for textiles. Mill activity in Canada this season may equal 1961-62, the most successful in recent years.

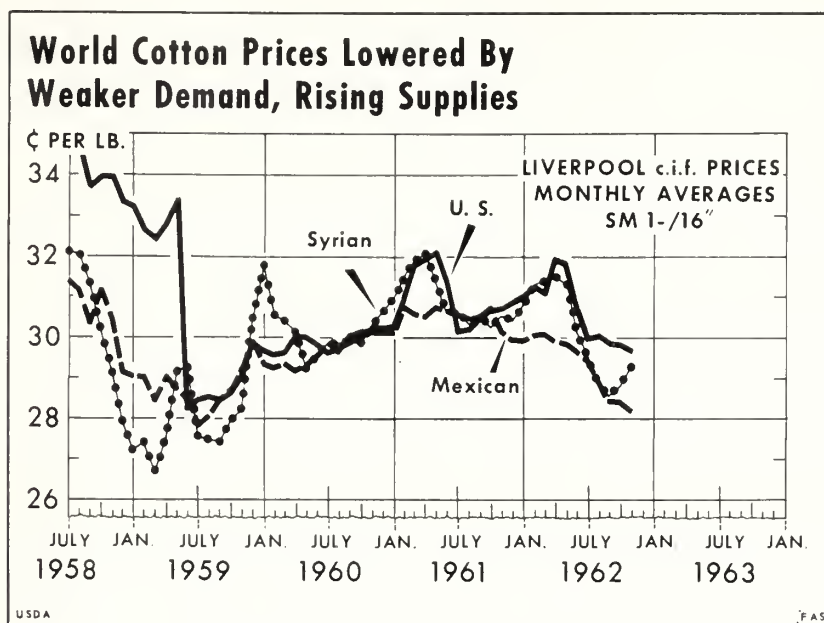
Consumption in Communist countries could rise slightly in 1962-63, following a 2-year decline from the alltime high of 17.0 million bales in 1959-60. Most of the rise would probably be in Mainland China; however, this season's crop is only moderately larger, so any increase in mill activity would probably be small. In the USSR, use will do well to hold at last season's figure of 6.3 million bales, in view of the slightly smaller domestic crop. The uptrend in consumption in other Communist Bloc countries seems likely to continue in 1962-63.

U.S. cotton consumption in 1962-63 is estimated at 8.6 million bales, 4 percent below the 9.0 million of last season. Mill activity has slowed in recent months, reflecting heavy imports of textiles as well as further inroads of synthetic fibers. New orders received by mills have declined, while inventories of cotton goods have risen.

#### Price Movements

The somewhat steady uptrend in world import market prices of upland-type cotton, from the long-time lows of mid-1959, was reversed early in 1962, and prices have

since declined to about the level of 3 years ago. This reversal in the trend is explained in large part by the pressure of foreign production — at levels that continue to set new records — against a slackened demand in major consuming countries.



Generally, prices of the most important growths and qualities entering world trade have remained competitive (although slowly rising) for well over 2 years following the 1959 lows. However, early 1962 advances in U. S. cotton prices corresponded in time with slackening consumption abroad, with rising stocks of textiles, and with general limitation of raw cotton purchases to nearby consumption needs. Price weakness in other growths, evident at this time, were accentuated by developments indicating that the 1962-63 crop in foreign Free World countries would exceed 20.5 million bales — more than a million bales larger than the 1961-62 crop — itself a record. Notwithstanding the United States' export subsidy of 8-1/2¢ per pound, the pressure of record (or near-record) exportable supplies in foreign countries resulted in early and large-volume forward offers at prices ranging more than 2 cents a pound below U. S. prices. These averaged well over a cent a pound below the level at which U. S. cotton could be offered.

By late fall of 1962, the bulk of the surplus in many producing countries (besides Egypt, Sudan, and Peru, the major long- and extra-long staple producing countries) had moved to market, or been committed. The resulting firmer tone of prices, which improved the U. S. competitive position, is being accompanied by some increase in sales for export. However, the outlook for any significant buildup of raw cotton stocks in importing countries in the near future does not appear promising in light of the record world crop in 1962-63 unmatched by a corresponding increase in mill consumption.

Price declines in extra-long staple cotton began earlier, and have been relatively greater, than in the case of upland type cotton. Extra-long staple production, centered

largely in Egypt, Sudan, and Peru may reach 2.1 million bales in 1962-63, with disappearance likely to continue around 1.6 or 1.7 million, the level of recent years. However, continuation of prices at or below the present level (around 40 cents per pound, c.i.f. Europe, for average quality), may stimulate consumption as in 1959. But pressure of excessive supplies against weakening demand, except in the United States, makes the export market outlook for extra-long staple cotton somewhat obscure. In the United States, despite prices that are considerably higher than in other countries, consumption of 173,000 bales of extra-long staple last year was at a 33-year record high, up 74 percent from the volume of 5 years ago. This result was attributable largely to industry-financed promotional programs.

## FACTORS AFFECTING EXPORT OUTLOOK FOR U. S. COTTON

### Foreign Production

There are innumerable factors to consider in determining a long-range outlook for foreign cotton production, some obviously of world-wide importance, others important only to selected countries or groups of countries. Of the various determinants influencing foreign production, most indicate that the upward trend of recent years will be maintained.

Almost without exception, cotton producing countries have over the years implemented programs to encourage cotton production; these are expected to continue and in many cases even to expand. Some programs — such as fertilizer distribution below cost, guaranteed prices, direct producer subsidies — are aimed directly at farmers. Other programs less direct, but still important, include such diverse approaches as seed breeding and other types of agricultural research, low cost or free services rendered at various steps of the marketing systems, development or expansion of irrigation facilities, restrictions on imports of raw cotton and/or cotton textiles, and many others. In the United States, Government programs are mainly for the opposite purpose of restricting production while maintaining farm income.

Land reform schemes are also under way in several cotton-producing countries, but in some instances the areas affected are so far removed from cotton-growing areas that little or no effect on production is expected. Depending upon the wisdom with which land reform programs are administered, they can result in either expanded or reduced production of particular crops. In areas where units are large enough for economic production, where credit or capital is available, and where food production does not demand an excessive share of the land, there is a good possibility that land reform could result in increased cotton production. However, where units are too small, managerial ability lacking, capital and credit not available, and extension facilities inadequate, it is likely that land reform will result in reduced production.

Rising incomes and levels of living experienced in many countries help create a climate for producing, as well as using, more cotton. Several developing economic unions will not only enhance economies, but also may result in additional programs to encourage cotton production. For example, in Latin America several countries that produce cotton and make cotton textiles are expecting larger markets as a result of market integration. With such prospects, there is a good possibility that cotton production will be encouraged.



An important and easily observable factor determining change in cotton production from year to year is variation in the relative level of cotton prices in import markets, which, however, is not always reflected back to producer levels because of various interventions. Over the last decade and a half, there has been a fairly close relationship between price increases for U.S. cotton in import markets in one year, and foreign Free World cotton acreage the following year. On the other hand, price declines have been much less influential in discouraging cotton production. Apparently high prices tend to trigger acreage expansions that fail to be contracted again in response to reduced prices.

Efforts to determine probable trends in foreign cotton acreage as they are affected by U.S. export price levels must, of course, be tempered by taking into account numerous other factors, many of them difficult to measure. In addition to "world" prices for various foreign growths and other ramifications of supply and demand, such diverse factors abroad must be considered as: (1) supplies or potential supplies of irrigation water, (2) insect, disease, and soil fertility problems, (3) availability of additional land, (4) possible changes in the degree of competition from other crops, (5) government policy toward cotton production and agriculture in general, (6) changes in domestic support price and market price levels, (7) credit facilities, and (8) potential local demand for cotton and cotton textiles.

Even in countries overseas where some of these domestic factors exert an important influence on cotton producers, there is not, in all probability, a complete lack of response to changes in U.S. export prices. In cases where U.S. export prices have been relatively high, foreign governments have been encouraged to establish high support prices, and normally it is not politically feasible to reduce support prices. Perhaps, too, credit availability reflects changes in relative levels of U.S. prices. Obviously, U.S. cotton export pricing policy will play an important role in determining foreign cotton production over the next few years, and this policy will go a long way in determining the share of the growing world market for cotton that U.S. producers will enjoy.

### Foreign Consumption

Foreign consumption of cotton trended upward at a fairly sharp rate for most of the period following World War II. After leveling off, from 1959-60 through 1962-63, at slightly more than 39.0 million bales annually, a resumption of the uptrend is anticipated over the next several years. During the ten years between 1951-52 and 1961-62, foreign consumption increased at an annual rate slightly in excess of 4 percent per year, but this rate reflects sizable increases during the early 1950's, when world textile productive capacity was still recovering from the destructive effects of World War II. Since 1956, the annual rate of increase has been around 3 percent, which, although much less than the increase throughout the decade of the 1950's, still somewhat exceeds the growth in population.

Several of the factors that have already contributed to the increase in foreign cotton consumption, continue to brighten the outlook for cotton consumption. These include expanding economic activity, added availabilities of textiles, especially in less developed countries, (as a result of increased domestic textile production capacity), and rising consumer incomes. Also, market development work aimed at expanded use of cotton, new treatments for cotton textiles resulting from continued research, and

adequate availabilities of cotton at reasonably stable prices, are expected to encourage consumption.

Further, the example of economic gains visible in the European Common Market has stimulated several groups of countries to form other economic unions, which, although generally less developed economically than the Common Market, offer prospects for adding impetus to the several countries' economies, which, in turn, may enhance cotton consumption.

By the early 1970's, world consumption of cotton (including the United States) could reach 60 million bales if present levels of per capita consumption are maintained. If, however, the numerous influences previously mentioned stimulate some increase in per capita use, consumption during the next 10 to 12 years could exceed 60 million bales. On the other hand, should economic gains fail to keep pace with rising population, lower aggregate consumption would materialize.

The anticipated increase in world consumption of cotton and the accompanying need for having larger supplies in stock or in transit to consuming countries, together with a renewed upswing in foreign cotton production, should increase the potential for world trade in the future. It should be noted, however, that a significant part of the increase in consumption during the past several years has been in foreign Free World exporting countries. This has lessened the effect of their increased production upon export availabilities and world trade.

The expansion of textile production facilities still appears as a goal in numerous countries, despite the apparent world over-capacity of the textile industry (at current consumption levels). Much of the expansion (or planned expansion) is in countries that previously have made little progress toward industrialization. Some of it is based on official desires to produce domestically consumed textiles locally, but in some countries, much of the increased output is destined to be sold for export, if development plans materialize. There is reason to believe that world cotton textile trade will continue to expand, but the Long-Term Textile Agreement may have the effect of slowing the rate of expansion that would have existed without it.

Pakistan can be cited as an example of expanded textile capacity in a less developed country. Under the present 5-year plan, Pakistani planners envision a 50 percent expansion in exports of cotton manufactures between 1960-61 and 1964-65. Domestic consumption, too, is expected to increase because of the fast-growing population rate and anticipated consumer income increases. Thus, successful implementation of the textile section of the 5-year plan — already assured by machinery purchased for installation in 1963 — will result in a sharp rise in cotton consumption in Pakistan. Under the plan, therefore, increased cotton production is supposed to supply both the larger domestic use and anticipated exports.

Of late, there is some indication that Pakistani leaders may be becoming less optimistic about the cotton textile industry as a certain future earner of foreign exchange. Future development plans, then, probably will place less emphasis on textiles, a sharp contrast to the two previous plans. Since it is very doubtful that cotton production will expand to meet the goals of the current plan, cotton exports likely will therefore decline. Similar situations exist in several other countries now exporting cotton, but developing a textile industry.

# GOVERNMENT RESTRICTIONS ON COTTON IMPORTS, AS OF JANUARY 1, 1962

COUNTRY	LICENSES REQUIRED				QUOTAS APPLIED				CENTRALIZED BUYING			FOREIGN EXCHANGE	
	NONE	FOR IMPORTS		FOR ALL IMPORTS	NONE	TO IMPORTS		TO ALL IMPORTS	NONE	OF SOME IMPORTS	OF ALL IMPORTS	NO RESTRICTIONS	ALLOCATIONS RESTRICTED
		FROM SOME SOURCES	OF SOME STAPLE LENGTHS			FROM SOME SOURCES	OF SOME STAPLE LENGTHS						
Argentina	○				○				○			○	
Australia	○				○				○			○	
Austria		●				●			○			○	
Belgium		●			○				○			○	
Brazil	○				○				○				●
China (Taiwan)				●	○						●		●
Colombia				●			●		○			○	
Denmark	○				○				○			○	
Egypt (UAR)		ALL IMPORTS PROHIBITED											
El Salvador				●	○						●	○	
Finland		●			○					●		○	
France				●	○				○			○	
Germany, West		●			○				○			○	
Greece	○				○				○			○	
Hong Kong		●			○				○			○	
India				●				●	○				●
Italy	○				○				○			○	
Japan				●	○				○				●
Korea	○				○						●		●
Mexico			●						○			○	
Netherlands	○				○				○			○	
Norway		●			○				○			○	
Pakistan				●					○			○	
Peru	○			●	○				○			○	
Portugal				●							●		●
Spain				●	○				○			○	
Sudan	○				○				○			○	
Sweden	○				○				○			○	
Switzerland	○				○				○			○	
Tanganyika	○				○				○			○	
Turkey				●	○				○			○	
United Kingdom	○				○				○			○	
United States	○							●	○			○	



Numerous cotton importing countries are also expanding textile capacity and are expected in addition to consume more cotton. And as world cotton consumption increases, there should be an opportunity for U.S. cotton to fill at least a part of the larger needs.

### Interfiber Competition

With the exception of the textile depression year of 1958, the world has steadily consumed increasing quantities of textile fibers in the past decade. Cotton's proportion of the total major apparel fibers consumed (cotton, wool, and man-made fibers) has generally been around 70 percent, although in recent years, this share has slipped a bit. Cotton, therefore, continues undisputedly to be the major textile fiber. On a per capita basis, consumption has risen from around 6 pounds to over 7.5 pounds during the past decade.

Total fiber consumption will probably continue to expand in the world as the levels of living rise, especially in the less developed countries, where cotton's percentage of total consumption is greatest, partly because of climatic conditions and partly because of the state of industrial development. For example, in India almost 100 percent of the fibers spun on cotton spinning equipment is cotton, and in Communist Bloc countries (including Communist China), cotton represents over 93 percent of the fibers so spun. This compares with 89 percent in the United States, 86 percent in Western Europe, and 66 percent in Japan.<sup>1/</sup> As industrialization proceeds in the less developed areas, production of man-made fibers is likely to expand.

Expansion of production capacity for cellulosic fibers (rayon and acetate) for the last five years has been negligible in practically all countries except Yugoslavia, Brazil, Taiwan, and India. The combined production facilities of these four countries at the end of 1963 are expected to be 72 percent above the level of their combined production during 1961. While man-made fiber use will undoubtedly gain in importance in these countries, there is good reason to expect that their total fiber consumption will also expand, perhaps at an even greater rate; thus, the relative position of cotton is likely to remain good. In an effort to overcome consumer resistance to regular rayon and to expand markets for cellulosic man-made fibers, producers of these fibers in the more advanced textile manufacturing countries have developed "modified" rayon with qualities not previously available in rayon.

Cotton has been meeting severe competition in industrialized countries, where per capita fiber consumption is greatest. In Western Europe, where total fiber consumption is about 18.5 pounds per person, only 54 percent of the total fibers consumed is now cotton; wool consumption in Europe is high at about 17 percent (because of the rigorous climate of most European countries). In Japan, where per capita consumption of textile fibers is the highest in Asia at about 19 pounds, cotton represents only about 53 percent of the total fiber consumed; wool consumption is about 10 percent, and the remainder is man-made fibers.

---

<sup>1/</sup> Based on data which included about 70 percent of the world's spindles, published by the International Federation of Cotton and Allied Textile Industries, Manchester, England.

An important recent development in the highly industrialized countries is dynamic expansion in production of non-cellulosic man-made fibers, which comprised about 25 percent of total man-made fibers produced in the first six months of 1962. Non-cellulosics still constitute only 5 percent of the world's total fiber supply, but their growth is expected to continue. The United States is the largest producer, at 742 million pounds in 1961; capacity is scheduled to expand to over 1.2 billion pounds by the end of 1963. Major producers outside the United States, their production in 1961, and proposed facilities by the end of 1963, are as follows:

	1961 production millions of pounds	Capacity end of 1963 millions of pounds
France . . . . .	113.2	196.3
Germany, West . . . .	143.9	243.0
United Kingdom . . . .	148.5	265.0
Japan . . . . .	337.5	637.0
Total . . . . .	743.1	1,341.3

Source: Textile Organon, Textile Economics Bureau, New York City

Thus, it appears that 1963 production capacity will be approximately 80 percent greater than 1961, in the foreign countries that are the major producers.

Most of these fibers compete with cotton on the basis of end-use qualities. Their prices have been several times that of cotton, but their longer utility life and greater covering ability per pound of fiber have sometimes overcome this price disadvantage. For nylon, polyester fibers such as dacron, and acrylic such as orlon, prices have been lowered in the United States; however, such trends have not been evident in the published prices of these fibers in other countries. There is some possibility, however, that production costs of some types of non-cellulosics will permit prices considerably below present levels and more in line with cotton. At present, some of these fibers compete directly with cotton in only a few end uses, but the combination of new technological developments and lower prices portends increased competition for cotton in a growing number of end uses.

### International Developments

Several international developments of the past year, or past few years, will have a significant impact on the world cotton situation in the years ahead. The Common Market (EEC) effects are being felt both by member countries and by others that lie outside its boundaries. The Latin American Free Trade Association (LAFTA) and several other customs unions are less highly developed, but in some instances they, too, are already having some effect on the world cotton situation, and the tempo will undoubtedly accelerate.

The Short- and Long-Term International Cotton Textile Agreements, that were negotiated in 1961 and 1962, and will run until 1967, will also affect the world raw cotton situation. It is impossible to anticipate the net effect of these various international

developments. Nevertheless, some aspects can be examined with possible benefit. One of the most obvious effects of the EEC, of course, is the rising level of internal cotton textile consumption in the various member countries resulting from the rising level of economic well-being within the area.

Another type of effect of the EEC on the world cotton situation grows out of the differential shifts in tariff rates between member countries, and between the EEC and non-member countries. The lowering of internal duties is starting to put pressures on firms in the EEC to look to other EEC companies to supply their needs rather than continue trading relationships outside the EEC area for which corresponding duty reductions were not granted under the Common External Tariff. An example reportedly exists in the case of Austria. Here, although there may also be other factors involved, it is generally believed that for tariff reasons their former customers in Common Market countries are turning to suppliers in other member countries for an increasing share of their cotton textile import needs. This re-alignment of trading patterns will tend to force other re-alignments, as countries that lose customers in one area are thus encouraged to find new customers at home or elsewhere, as the only alternative to curtailing production.

The EEC could find itself eventually confronted by much the same situation with respect to cotton textile imports that the United Kingdom has faced with Commonwealth textiles. Growth of investment in the cotton textile industries of associated areas beyond the level needed for domestic consumption (where the purpose of the additional investment is to exploit their eventual duty-free entry into the EEC), would contain all of the essential elements that the corresponding growth of the textile industry in India and Hong Kong foreshadowed for the United Kingdom. Only time will tell whether such investment will occur in significant volume and whether the industry in these areas proves to be sufficiently low-cost to enable it to undermine the existing industries in the EEC area.

The Long-Term International Cotton Textile Agreement can also be expected to have some effect upon the world cotton situation, but it is difficult to foresee just what it will be, partly because the five-year agreement has been in effect only a few months. Although every signatory importing country has the right to request suppliers to restrain exports if market disruption is experienced or threatens, one can only speculate concerning the extent to which restraint may be requested or in fact may result.

In general, however, it seems likely that the provisions of the Long-Term Agreement for some opening-up of markets formerly substantially closed to certain low-cost textile exporting nations point toward a larger volume of world textile trade. Another reason for this conclusion is the general escalator provision for raising annual quotas of restrained categories, which also points toward a higher level of textile trade. The combined effect of hesitancy in countries like the United States to act quickly enough and adequately when the need arises, plus the demonstrated practice among firms of commencing or expanding trade in unrestrained categories, point toward higher U. S. imports and a higher level of world trade in cotton textiles.

Offsetting factors exist, of course. For example, there has long been an observed effort on the part of countries which once relied heavily upon textile imports to develop their domestic textile industries. As a consequence, many countries that formerly relied heavily upon textile imports are now substantially self-sufficient and in some



instances they have become net exporters of cotton textiles. This tendency has placed increasing pressure upon some of their former textile suppliers to develop new export market outlets, and to promote increased cotton consumption in their respective home markets. The pressure of traditional and new textile exporting nations to expand export trade is one of the major causes of the kinds of market disruption that led to the negotiation of the Short- and Long-Term International Cotton Textile Agreements.

Despite the fact that this section has dealt with cotton textiles, it has important implications for raw cotton. To the extent that these changes result in lower prices for cotton textiles, they tend to improve cotton's competitive advantage relative to man-made fibers, and to encourage customers to buy a greater quantity of textiles than would otherwise be the case. Beyond that, the shift of cotton consumption from one country to another cannot be charged off as insignificant, since U. S. cotton exports are likely to benefit more from a given growth in mill consumption in a cotton importing country than in a cotton producing country that may, in fact, tend to expand its own cotton production sufficiently to provide the additional raw cotton for its own industry.

## DEVELOPING MARKETS ABROAD FOR U. S. COTTON

### Expanding Consumer Demand for Cotton Products

This year, Canada, a country with high purchasing power and promising market potential, joined the ranks of countries where the USDA invests foreign currencies to build dollar markets; formerly, it did not have a market development project for any U. S. farm commodity. Initiation of a cotton market development project had been hampered by textile recessions and certain other factors. However, after much encouragement and consultation with Canadian groups by the U. S. agricultural attaché and FAS's cooperator, the Cotton Council International, a cotton market development project was begun on March 31, 1962.

The initiation of a cotton market development project in Canada, the Number One customer of U. S. textile products, which also purchases 75 to 90 percent of her raw cotton from the United States, should benefit U. S. exports as the program progresses. Certainly, some of the program achievements will be translated into dollar sales of U. S. cotton and cotton textiles.

The addition of Canada to the fraternity of dynamic market development program countries brings the total to sixteen, including Austria, Belgium, Canada, Denmark, Finland, France, Germany, India, Italy, Japan, the Netherlands, Norway, Spain, Sweden, Switzerland, and the United Kingdom. These represent 75 to 85 percent of the export market for U. S. cotton. Approximately 40 percent of the U. S. cotton crop is exported annually, and since this is a high-value commodity, cotton exports contribute materially to the U. S. balance-of-payments position.

These market development programs, aimed at expansion of markets for U. S. cotton, are joint cooperative efforts of the USDA's Foreign Agricultural Service, the Cotton Council International, and interested foreign industry groups. CCI and the co-operating foreign groups pay at least one-half of the program cost, and FAS pays the other half with foreign currencies generated by the sale of surplus agricultural commodities under the provisions of Public Law 480.

MARKET DEVELOPMENT PROJECTS AND CAMPAIGNS, BY COUNTRIES - 1962

PROJECTS AND CAMPAIGNS	Austria	Belgium	Canada	Denmark	Finland	France	Germany	India
Press sheet.....	*	*			*	*	*	
Special releases, features.....	*	*			*	*	*	
Radio.....	*		*				*	
Television.....	*	*			*		*	
Movie newsreels.....							*	
Film service, slides.....	*	*	*	*	*	*	*	
Schools, exhibits.....	*	*	*		*	*	*	
Conferences, tours.....		*			*	*	*	
Youth clubs.....	*				*			
Women's clubs.....								
Bulletin for industry.....	*	*				*		
Fashion liaison.....		*			*	*	*	
Fashion shows.....	*	*			*	*	*	
Fashion advertising.....	*	*			*	*	*	
Fashion news service.....						*		
Maid of Cotton.....		*	*			*	*	
Miss Cotton, Cotton Princess.....		*						
Dressmakers.....								
Design contests.....		*		*	*	*	*	
Deauville Show.....	*							
Home sewing.....		*			*	*	*	
White sales.....	*	*			*			
Household cottons.....	*	*			*	*	*	
Cotton weeks.....	*	*				*		
Children's, Back-to-School.....						*		
Home furnishings.....		*			*			
Fall-winter cottons.....								
Gifts.....		*			*		*	
Other retail promotions.....		*	*	*	*	*	*	
Sales training.....	*	*	*	*	*	*	*	
Men's wear, leisure wear.....					*		*	
Consumer advertising.....	*	*			*	*	*	
Trade advertising.....	*	*			*	*	*	
Wholesalers, cutters.....								
Basic color promotion.....								
Textile fairs.....	*	*			*		*	
Identification.....		*				*	*	
Laundry cooperation.....	*	*				*	*	
Joint campaigns.....		*				*	*	
Market research.....	*	*				*	*	*

PROJECTS AND CAMPAIGNS	Italy	Japan	Nether-lands	Norway	Spain	Sweden	Switzer-land	United Kingdom
Press sheet. . . . .			*		*	*		*
Special releases, features . . . . .	*	*	*	*	*	*	*	*
Radio. . . . .	*				*		*	*
Television. . . . .	*	*	*		*	*	*	*
Movie newsreels . . . . .	*							
Film service, slides . . . . .	*	*	*	*	*	*	*	*
Schools, exhibits . . . . .	*	*	*	*	*	*	*	*
Conferences, tours . . . . .	*	*	*					
Youth clubs . . . . .			*				*	
Women's clubs . . . . .			*					
Bulletin for industry . . . . .	*	*	*		*		*	*
Fashion liaison . . . . .	*	*	*		*	*	*	*
Fashion shows . . . . .	*	*	*		*	*	*	*
Fashion advertising . . . . .	*	*	*		*	*	*	*
Fashion news service . . . . .		*	*		*			
Maid of Cotton . . . . .		*	*					
Miss Cotton, Cotton Princess . . . . .	*	*	*		*			
Dressmakers . . . . .	*	*	*		*		*	*
Design contests . . . . .	*	*	*	*	*	*	*	*
Deauville Show . . . . .		*	*	*				
Home sewing . . . . .		*	*	*	*			
White sales . . . . .			*		*			
Household cottons . . . . .		*	*		*			
Cotton weeks . . . . .	*	*	*		*			
Children's, Back-to-School . . . . .	*		*		*			*
Home furnishings . . . . .	*				*	*		*
Fall-winter cottons . . . . .	*				*	*		*
Gifts . . . . .	*				*	*	*	*
Other retail promotions . . . . .	*	*	*		*	*	*	*
Sales training . . . . .	*	*	*		*	*	*	*
Men's wear, leisure wear . . . . .	*	*	*		*	*	*	*
Consumer advertising . . . . .	*	*	*		*	*	*	*
Trade advertising . . . . .	*	*	*		*	*	*	*
Wholesale, cutters . . . . .	*	*	*		*	*	*	*
Basic color promotion . . . . .	*	*	*		*	*	*	*
Textile fairs . . . . .	*		*		*		*	
Identification . . . . .			*		*		*	
Laundry cooperation . . . . .			*		*		*	
Joint campaigns . . . . .	*	*	*		*	*	*	*
Market research . . . . .	*	*	*		*	*	*	*

In order to carry out demand expansion efforts, resources are committed to three areas of work: market research, sales promotion, and public relations.

Market research in the cooperating countries, providing the foundation of successful promotion programs, involves study of textile distribution patterns and various other aspects of the market. The cooperators are constantly seeking areas that may be responsive to demand expansion. When such areas are determined, the promotion and public relations phases of the programs are then initiated, to capitalize on the apparent potential for increased demand for cotton products and subsequently for raw cotton. The United States expects to share in any increased demand for cotton in the various program countries.

There are many facets to the cooperative effort, and a large number of the programs have most of the elements of the basic three-phase program. However, some of the cooperators, displaying initiative and ingenuity, have added special additional features, especially suitable to conditions and possibilities within their particular country.

A better understanding of the FAS cotton market development partnership is afforded by reviewing some of the activities that are conducted. Over 200 campaigns and projects are conducted annually. These activities include, but are not limited to, the following:

Activities in Fashion.--Fashion shows are used as a special technique to show the cotton creations of designers to select audiences of style-conscious women and fashion editors. The U.S. Maid of Cotton and her European counterparts aid in promoting cotton with their special appeal to European audiences. Printed media carry the story, reaching many more thousands of women.

Activities with Manufacturers.--Manufacturers often must be convinced of cotton's future, since man-made fiber interests compete for business at the mill level as well as the consumer level, with a constant attempt to draw processor and manufacturer away from cotton to the "miracle" test tube fibers. Cotton's versatility and inherent valuable characteristics, many of them never duplicated by other fibers, must be reiterated over and over.

Manufacturers must be informed of new processes that make today's cottons superior, by use of special trade press advertisements stressing cotton's desirable qualities, such as comfort, versatility, and easy care. When ready-to-wear manufacturers are the target, emphasis shifts to garments: dresses and blouses in one country, work clothes in another, and sport shirts in still another. Promotion, distribution, and product improvement activities are based on market research findings.

Results of the activities come in many ways, sometimes indirectly. For example, many manufacturers, convinced of market potentials, spend their private funds for cotton products promotion. As results are obtained, their allegiance to cotton holds more firmly.

Activities to Influence Retailers.--Cooperators use proven techniques, and add ingenious new ones each year, in promotion to influence retailers. Cotton Weeks, sales aids, trade press advertisements, publicity in special trade magazines, editorial space



in retail publications, and specialized advertising are all used to emphasize cotton's success in various end uses.

Attractive booklets in every cooperating country emphasize cotton's best selling points to retailers, and point the way to increased marketing possibilities. Thousands of these booklets are put into the hands of progressive retail executives, buyers, and sales personnel around the world. This effort is often followed by more intensive action in the form of sales training classes, which are held for about 15,000 clerks in program countries each year.

Activities to Influence Consumers.--The manufacturers' and retailers' campaigns are supplemented with cotton sales messages directed at the consuming public through a variety of activities: press services, including photographs and mats; radio air time; television time, as public service news and features; cotton movies, seen by audiences of hundreds of thousands; and many thousands of sample boxes, fabric kits, and teaching aids.

Direct Promotion of U. S. Cotton.--Although the cotton market development program cooperatively carried out by FAS, CCI, and foreign groups is necessarily directed at the expansion of demand for cotton products, another phase of market development activity is the specific effort on the part of FAS acting alone, to increase the demand for U. S. cotton.



This exhibit, displaying the desirability of cottons for travel, was part of the British market development program for cotton textiles.

Primary emphasis is placed upon maintaining and expanding dollar sales of U. S. cotton through private trade channels and foreign contacts. During foreign visits, specialists emphasize the distinctive attributes of U. S. cotton, interpret U. S. cotton aid programs to foreign government and cotton industry groups, work on technical problems, investigate competitive elements in the demand for U. S. cotton, check on quality complaints, and report on local practices and situations that may have a bearing on the market for United States cotton. They talk with foreign buyers, technicians, and administrators on many subjects. Among these are types and qualities of U. S. cotton; new improved varieties; classing and fiber testing methods; and the latest developments in fiber and textile technology, in marketing, and in utilization research. The information gained from these trips is also passed along to the U. S. cotton industry.

Inquiries and interest by foreign customers are growing regarding all cotton marketing and utilization information, but especially technical information on manufacturing processes on the use of mechanical and chemical testing to evaluate quality, and on improved utilization of cotton in making new and better products. As the USDA, State Universities, and private groups develop processing and utilization research, the task shifts to that of disseminating this information to the users of U. S. cotton.

Since from four to seven million bales are sold abroad annually to numerous individuals in many lands, the task of furnishing information to foreign customers is no small one for FAS. This past year, FAS cotton and textile specialists visited and consulted with users of U. S. cotton in all the major world cotton markets. In addition, periodic U. S. cotton processing and test results are provided throughout the harvest season to 350 foreign users of U. S. cotton in 24 consuming countries. Distribution is made by agricultural attachés to their foreign contacts. This timely information is an excellent supplement to personal contacts made by specialists. It provides information regarding the various test results and spinning performance of U. S. cotton. Foreign purchasers of U. S. cotton can compare these results with those for U. S. cotton of previous seasons, as well as with competing growths.

Textile industries are also being developed in many new and sometimes remote countries of the world, particularly Asia and Africa. Marketing channels between U. S. cotton exporters and those newly developing textile-manufacturing countries often have not been opened and established, as they have in the traditional cotton-importing countries. Cotton marketing specialists study the market structure, or the lack of it, in these new textile-manufacturing countries, and furnish to inquiring U. S. exporters information regarding the structure, the size, and the nature of the new industry, and sales possibilities.

### **Programs for Assisting Exports**

The United States Government has several special cotton export programs designed to overcome the difficulties of eligible foreign countries in financing imports, assist in the economic growth of eligible friendly nations, and help maintain and expand foreign markets for U. S. cotton.

Exports under these assistance programs are included in the analyses of exports, prices, and the like, discussed in earlier sections of this report.



TABLE 2.--U.S. cotton exports under designated programs, exports for dollars, and total exports, 1955-62

Year ending June 30	Public Law 480			Mutual Security Program <sup>1/</sup>	Barter	Dollar Exports		Total Exports
	Title I	Title II	Title IV			Export-Import Bank Loans	Total <sup>2/</sup>	
	<u>1,000 bales</u>	<u>1,000 bales</u>	<u>1,000 bales</u>	<u>1,000 bales</u>	<u>1,000 bales</u>	<u>1,000 bales</u>	<u>1,000 bales</u>	<u>1,000 bales</u>
1955	58	5		1,085	2	307	2,466	3,616
1956	465	22		625	51	334	976	2,139
1957	1,377	1		857	970	<sup>3/</sup> 421	4,110	7,315
1958	864	26		662	465	727	3,649	5,666
1959	639	7		729	376	333	1,378	3,129
1960	704	10		407	112	297	5,403	6,636
1961	1,283	20		405	104	330	5,191	7,003
1962	1,044	(4/)	53	56	25	428	3,576	4,754

<sup>1/</sup> Bales estimated from records maintained on a value basis by crop years by Cotton Branch, International Cooperation Administration.

<sup>2/</sup> Includes Export-Import Bank loans, cash dollar sales, and adjustments for differences in reporting data.

<sup>3/</sup> Includes 3,000 bales exported under CCC credit program; no exports under that program in other years shown.

<sup>4/</sup> Less than 500 bales.

The most important of these programs from the standpoint of volume is the sale of U.S. cotton for foreign currencies under Title I of Public Law 480. In the past 8 years, sales for export under this program have ranged from a high of 22 percent of total exports in 1955-56 and 1961-62, to a low of 11 percent in 1959-60, and have averaged 16 percent of the total during this period. During 1962-63, approximately 617,000 bales are available for shipment from agreements of prior fiscal years. This relatively high beginning availability, together with new programming during the first 6 months of the fiscal year, indicates that Title I shipments may reach a new high in 1962-63 as a percentage of total cotton exports.

The Mutual Security Program accounted for substantial exports of cotton, averaging about 680,000 bales, during each of the 7 years 1954-55 through 1960-61. However, cotton shipments under this program were ended in 1960-61, and it is not now anticipated that cotton will be included in this program in the future. The 56,000 bales exported in 1961-62 under the Mutual Security Program came from authorizations issued during the prior year.

Surplus cotton can be donated to friendly foreign nations to meet flood, famine, and other urgent or extraordinary relief needs under provisions of Title II of Public Law 480. Since food is usually the primary need in disaster areas, donations of cotton have

been relatively small. The relief shipments have averaged about 11,000 bales annually over the past 8 fiscal years. Donations for export may also be made under Title III, Public Law 480, to relief organizations for distribution abroad to needy people, but no cotton has been donated under this proviso.

Barter is yet another method by which U. S. cotton is marketed abroad. The volume of U. S. cotton exported under barter arrangements reached a total of 970,000 bales in 1956-57, or 13 percent of total cotton exports. Exports under barter have declined in the last 5 years and were only 25,000 bales, or 0.5 percent of the total, in 1961-62.

Both short-term and long-term credit, payable in dollars, is available to foreign purchasers of U. S. cotton. The Export-Import Bank of Washington extends cotton credit for period of from 12 to 15 months. Credits are extended to commercial banks abroad, or to the foreign importer, where a guarantee of payment signed by his bank is offered.

The Commodity Credit Corporation export credit sales program enables U. S. exporters to purchase commodities in CCC inventory with payment deferred up to 3 years, provided an assurance of payment is furnished by a bank in the United States. The credit is extended to the U. S. exporter, who in turn extends credit on cotton sales to the foreign importer.

Exports under the CCC credit program have amounted to 3,000 bales, in 1956-57.

Export-Import Bank credits were obtained on about 7.9 percent of total cotton exports during the past 8 fiscal years. Japan and Austria have received most of the credits extended for cotton exports in recent years. A \$30 million credit was recently extended to Hong Kong for the first time.

Title IV of Public Law 480 authorizes the President to enter into long-term supply agreements with friendly nations, or the Secretary of Agriculture to enter into sales agreements with private firms, for the sale of surplus agricultural commodities over periods not to exceed 10 years with payment in dollars (plus interest) extending over a period not to exceed 20 years. Approximately 53,000 bales were exported under this program in 1961-62. Exports under this program are expected to increase in 1962-63 and subsequent years.

Authority for Title IV agreements was originally limited to government-to-government programs. Enabling legislation to permit agreements with the private trade was approved on September 27, 1962. The additional authority should increase future exports of cotton under Title IV.



UNITED STATES DEPARTMENT OF AGRICULTURE  
WASHINGTON 25, D. C.

Official Business

POSTAGE AND FEES PAID

To change your address or  
stop mailing, tear off  
this label and send to:  
Foreign Agricultural Service  
USDA, Room 5918  
Washington 25, D.C.